

March 18, 2013

Statement of Frank J. Chesky III of CT Bingo Supply, LLC Regarding S.B. No. 1072 – An Act Concerning Charitable Games And The Gaming Policy Board.

Senator Hartley, Representative Dargan and distinguished members of the Public Safety and Security Committee, I thank you for the opportunity to provide testimony today in opposition to portions of Senate Bill No. 1072, which, among other things, makes significant changes to Connecticut's existing charitable games laws.

I am the co-owner of CT Bingo Supply, LLC, a licensed distributor of Bingo supplies, sealed tickets and related equipment in Connecticut. My father started the business in Bristol over 25 years ago, and we have grown to serve many Connecticut non-profit organizations. Our customers are the State's churches, synagogues, veterans' and legion organizations and fraternal clubs, such as the VFW, the American Legion, the Elks, and the Knights of Columbus.

I appear before you today because I have serious concerns over portions of the proposed bill that would make significant detrimental changes to the current sealed ticket charitable games law. In April 2012, the State turned over the responsibility for the sale of sealed tickets to licensed, private distributors. Sealed tickets (or pull-tab tickets) are resold by non-profits to consumers as a means of fundraising, and are essentially like paper slot machines whereby the player tears off a tab on the ticket revealing a set of symbols (cherries, bells, *etc.*), and if the combinations matches the prize awarded for that combination, the player wins a cash prize. Sealed tickets have been available for purchase and resale by non-profits in Connecticut since 2003, when state law first approved their sale. From 2003 until April 2012, the State was the seller of sealed tickets to the non-profits, which generated millions of dollars in revenue for the General Fund, as well as being an important form of fundraising for non-profits.

Under both the 2003 law and its 2011 revision, the price paid by non-profits for sealed tickets is exactly 10% of the retail value of the ticket. Under current law, licensed private distributors pay 30% of their gross revenues as a tax on the sale of sealed tickets, which is paid to the State's General Fund. For example, a ticket that retails for \$1.00 (the price of a ticket paid by a consumer to the non-profit) is purchased by a non-profit from a distributor for 10¢. Of that 10¢, the State levies a 30% tax against the distributor, which goes to the General Fund.

Section 10 of the proposed Bill will create a negative fiscal impact of approximately \$250,000 in lost tax revenue for the State. By amending Section 7-169h(i) of the general statutes, the Bill would fundamentally change the pricing structure of sealed tickets by capping the price at 10% of retail value, rather than the current statutory price of exactly 10% of retail value. By allowing the price of sealed tickets to fall below 10% of retail value, the State's 30% tax revenue will be drastically reduced with uncertainty as to where the price point will level out. It will also invariably drive down profits for distributors, who are solely responsible for paying the tax. Considering the State's current financial crisis, it is incredible that the State would give away \$250,000 in tax revenue.

Barring the proposed changes to the existing law, tax revenue is likely to grow now that the State has ironed out the initial "kinks" in implementing the 2011 law, and has approved a variety of sealed tickets. Our customers have told us that the increased variety of sealed tickets is increasing sales. I therefore strongly recommend that the sealed ticket price structure under the current law remain unchanged.

Section 10 of the proposed Bill also changes the licensure requirements for sealed ticket distributors by removing the requirement that a distributor be a "resident" of Connecticut under Section 7-169h(a)(4) of the general statutes. Since 2012, the State has not enforced this requirement, instead choosing to loosely interpret it by wrongfully granting a license to an out-of-state company. Senate Bill No. 1072 does away completely with the in-state residency requirement thereby allowing any out-of-state company to take business away from Connecticut companies, depriving the State of much-needed state income tax, and creating no Connecticut jobs. In fact, the State has not enforced other statutory requirements that require a licensed distributor have a bona fide office in Connecticut from which to sell sealed tickets. Instead, the State has surprisingly approved an unmanned storage locker as an office.

In addition, we have learned that some organizations are buying tickets illegally from unlicensed, out-of-state companies with no enforcement of the existing law by the State resulting in no taxes being paid to the State and no Connecticut jobs being created. The purpose of existing in-state licensure requirements is to facilitate enforcement and regulatory oversight in a climate in which the State has limited resources. Yet the State now wants to relax its oversight responsibilities even more by loosening the licensing requirements, and quite obviously not enforcing the current law as written. This perpetrates fraud, harms licensed distributors and hurts the State economy.

I ask that the proposed changes to the existing sealed ticket law be rejected. I again thank you for the opportunity to provide my testimony today.